

# FACTSHEET

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## USING SOCIAL SECURITY IN PLANNING FOR THE FUTURE

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### SOCIAL SECURITY AS A FINANCIAL PLANNING TOOL

Financial planning is a method people use to meet future financial *goals* and to minimize financial *risks*.

Social Security is this nation's basic method of assuring a continuing income to you and your family if you retire, become disabled, or die. Social Security thus helps to minimize the risk of financial disaster at disability or death. And with proper planning, it can help to meet the goal of financial security at retirement.

### WHAT YOU NEED TO KNOW

To use Social Security effectively, you need to know certain facts about the program. These facts include:

- ☐ How much in Social Security benefits you can expect at retirement, or in case of death, or disability.
- ☐ How to get an estimate of your benefits.
- ☐ How other income or pensions will affect your Social Security benefits.
- ☐ How old you have to be to get benefits. (See Factsheet #1, Lesson IV)
- ☐ How much work under Social Security you need for benefits. (See Factsheet #1, Lesson IV)

### HOW MUCH CAN YOU EXPECT IN BENEFITS?

First, how much can you expect in benefits when you retire, or in the event you die or become disabled? Since, as we stated, Social Security does not replace all of your earnings, you need to know how much of your earnings will be replaced.

This depends on how high your earnings are under Social Security. The more you earn, the higher your benefit, but the lower your replacement rate; the lower your earnings, the higher the percentage of your earnings Social Security replaces. Benefits are weighted to favor the low earner because he/she has less opportunity to save or invest. For example:

If your average lifetime wages are at the minimum wage level, Social Security will replace about 60 percent of your earnings.

If you are earning average wages over your working life, your Social Security benefits will replace about 42 percent of your monthly earnings.

If you are earning maximum wages, your Social Security benefits will replace about 26 percent of your monthly earnings.

### HOW TO GET AN ESTIMATE

To make it easier for you, Social Security provides a *Personal Earnings and Benefit Estimate Statement* (PEBES) upon request. You should call Social Security and ask for a request form, Form 7004.

Once the request form is completed and mailed, a statement should arrive in about four to six weeks.

The statement will show: annual wage and self-employment earnings total, estimated Social Security taxes paid, number of work credits earned, estimated monthly benefits.

If there is any error or omission, contact Social Security by calling 1-800-772-1213. You should have your copy of W-2's and self-employment tax returns.

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### WHAT DOESN'T AFFECT SOCIAL SECURITY BENEFITS

In general, only earnings from work done after you start receiving benefits affect your benefits. Most other types of retirement income will not affect your benefits. For example:

- ☐ Capital gains
  - ☐ Insurance payments
  - ☐ Annuity payments
  - ☐ Pension from private employers
  - ☐ Interest income
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### WHAT DOES AFFECT SOCIAL SECURITY BENEFITS

- ☐ Earnings over the annual earnings limits.
  - ☐ Workers' compensation and other public disability payments may affect disability benefits.
  - ☐ A pension based on work not covered by Social Security will cause your Social Security retirement payment to be reduced under the windfall provision.
  - ☐ Your benefit as a spouse on the worker's earnings record may be reduced because of another government pension based on your own earnings, under the government pension offset.
  - ☐ Federal income tax may be due on a portion of your Social Security benefits if you have substantial total income.
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### WHEN TO CONTACT SOCIAL SECURITY

It's also important to know when and how to contact Social Security. 1-800-772-1213.

- ☐ To ask general questions.
- ☐ To change your name when you get married.
- ☐ To get an application for a Social Security number and "Request for Earnings and Benefit Estimate Statement."
- ☐ If you notice an error on your earnings record.
- ☐ If someone in your family:
  - dies
  - becomes disabled
  - reaches 62
  - develops permanent kidney failure
  - reaches 65 to discuss Medicare if he/she is not retiring

Note that all services Social Security provides are FREE, from issuing Social Security number cards to processing disability, survivor, and retirement claims. These services are funded already through Social Security taxes. No additional payment is needed. Some companies try to collect money for services that Social Security provides for free.